

**BOARD OF INVESTMENT TRUSTEES
MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS**

MINUTES – OPEN SESSION

May 15, 2009
101 Monroe Street, 15th floor
Rockville, Maryland

Board Members Present: Gino Renne, Vice-Chair
Lodge Gillespie
Meg Menke
Steve Farber
Jeff Buddle
Joe Adler
Joe Beach
Jeff Sharpe
Jennifer Barrett
Walt Bader
Sunil Pandya

Staff: Linda Herman
Marc Esen
Brad Stelzer
Stuart Potter

Others Present: Mark Brubaker, Wilshire Associates
Mike Patalsky, Wilshire Associates
Brad Atkins, Franklin Park
Karl Hartman, Franklin Park
Amy Moskowitz, Counsel to the Board

CALL TO ORDER

Mr. Renne called the open session of the Board to order at 8:38 a.m.

EDUCATION SESSION

Mr. Stelzer provided an update on the Risk Budgeting Program and the work that Board has completed in building out the program over the past few years with the assistance of Bridgewater Associates and Wilshire. He highlighted the future direction of work effort geared towards maximizing the alpha strategies within and across asset classes and the use of passive investment approaches in certain asset classes. Brian Lawlor, from Bridgewater Associates, presented a live demonstration of their risk budgeting tool which staff uses to evaluate total plan risk and the contribution of alpha from and the risk used by the underlying managers. Wilshire discussed their analysis of correlations across managers of all asset classes to assess whether their excess

returns may be highly correlated with asset class returns to determine the high beta managers. Staff continues to evaluate best practices in this area and will provide the Board with periodic updates on their work effort.

DETERMINATION OF MEETING

The Board unanimously approved a motion to move into closed session at 9:45 a.m. for the purpose of discussing the investment of public funds, pursuant to Maryland Code, State Government Article, 10-508(a).

Mr. Renne called the open session of the Board to order at 11:05 a.m. Mr. Farber and Mr. Beach were not in attendance for this portion of the meeting.

Approval of the Minutes: The Board unanimously approved the amended minutes of the March 20, 2009 meeting.

Wilshire-Current Market Environment: Mr. Brubaker discussed the current market environment, highlighting actions taken by plan sponsors in reevaluating the risks within their portfolios and opportunistic strategies due to the market dislocations. Wilshire recommends the Board continue to implement the new asset allocation policy, reassess the use of hedge funds for portable alpha mandates, and continue building out the real asset portfolio.

Long Duration Fixed Income: Mr. Potter updated the Board on conference calls conducted with JP Morgan and BlackRock to discuss liquidity within their respective portfolios. He discussed current market conditions and that transaction/transition costs remain high due to bid/ask spreads. Mr. Potter informed the Board that due to the resignation of the co-head of fixed income at Goldman Sachs, he has scheduled a site visit to assess the stability of the team. Additional discussions are also taking place with hedge funds to evaluate investment opportunities.

Private Equity-Commitment Pace/Market Discussion: Mr. Atkins briefed the Board on the updated results of multiple scenarios run through Franklin Park's investment pace model used to determine the appropriate commitment each year. Franklin Park's recommendation would be to target approximately \$60-\$70 million per year to reach the fund's target allocation of 10% by 2012. In addition, Franklin Park and Staff recommend forgoing a 2009 commitment to venture capital due to the fund's current commitments to the sector. After discussion, Ms. Menke moved and Mr. Bader seconded, and the Board approved, the following resolution:

0905-03 *Resolved, That the Board approves the 2009 commitment pace of \$60-\$70 million with no new monies being committed to venture capital in 2009 except via previous commitments to fund-of-fund managers.*

Northern Trust Securities Lending Program: Mr. Potter provided the Board with an update on Northern's securities lending program discussing the current lending environment, the fund's pro-rata share of the pool, and Staff's concern over the impact of the deficiency being reversed. The Board discussed Staff's recommendation to maintain the fund's current participation level by exiting the staged withdrawal process. After discussion, Mr. Adler moved and Mr. Bader seconded and the Board approved, with Mr. Sharpe abstaining, the following resolution:

0905-04 Resolved, That the Board approves continuing to participate in the securities lending program by exiting the staged withdrawal process.

Due Diligence & Continuing Education: Ms. Menke noted that there were six requests for travel which required approval. Ms. Menke moved, Mr. Adler seconded, and the Board approved the requests.

Board Retreat: The Board unanimously approved moving the date of the annual retreat to October 23, 2009.

The Board acknowledged the recent certification of Marc Esen as a Certified Investment Management Analyst by the Investment Management Consultants Association.

There being no further business of the Board, the open meeting session was adjourned at 11:45 a.m.

Respectfully submitted,

Joseph Adler, Secretary